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S E C R E T SAN SALVADOR 4743 COMBINED SECTION

EXDIS

PASS TO SECRETARY HAIG

DEFENSE FOR CARLUCCI

CIA FOR CASEY

TREASURY FOR LELAND

AID FOR MCPHERSON AND COY

E. O. 12065: RDS-1 6/23/01 (HINTON, DEANE R.) DR-M
TAGSI PINS PINT EAID ECON ES

REF: (A) SAN SALVADOR 4455, (B) SAN SALVADOR 4526

1. (S - ENTIRE TEXT.)

2. SUMMARY: THIS MESSAGE CONTAINS MY FIRST PERSONAL ASSESS-
MENT OF THE SITUATION IN EL SALVADOR. IT'S BAD, THE WAR IS

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NOT BEING *ON, AND IN A CLOSE CALL, I CONCLUDE THAT UNLESS NEW MEASURES ARE ADOPTED IT MAY EVENTUALLY BE LOST. BETTER INTERDICTION OF ARMS FLOWS TO THE INSURGENTS FROM OUTSIDE SOURCES, IMPROVED INTELLIGENCE, CLOSER COORDINATION WITH HONDURAS, A STRATEGIC PLAN, EXPANDED SALVADORAN FORCES, MORE PROVISION FOR MOBILITY, E.G. TRUCKS AND HELICOPTERS, IMAGINATIVE EFFORTS TO OVERCOME OFFICER CONSTRAINTS, TRAIN PROFESSIONAL NON-COMS, AND TO PROVIDE MORE HELICOPTER PILOTS AND MAINTENANCE CAPABILITY ARE ADVISABLE. THE ECONOMY CONTINUES ITS SHARP DECLINE AND AN ACUTE FOREIGN EXCHANGE CRISIS EXISTS. ADDITIONAL ECONOMIC ASSISTANCE IS CLEARLY NEEDED, BUT IS PROBABLY BEST SUPPLIED IN CONJUNCTION WITH AN IMF EFFORT. EARLY ARRIVAL OF IMF MISSION IS CRITICAL. TREASURY AND STATE SHOULD START THINKING ABOUT SPECIAL LEGISLATION TO AUTHORIZE A DOLLARS ONE BILLION MULTYEAR FUND TO GUARANTEE PRIVATE AMERICAN BANK MEDIUM TERM LENDING TO THE GOES. THE POLITICAL SITUATION IS ALSO WORRISOME. THERE IS NO CONSENSUS IN THIS SOCIETY ABOUT GOALS, AND THE DEGREE OF TRUST BETWEEN GROUPS AND EVEN WITHIN THEM (FORTUNATELY INCLUDING THE INSURGENTS) IS ALMOST UNIMAGINABLE. SOME CHANCE EXISTS OF AN EARLY COUP. PRIVATE SECTOR MODERATES ARE TALKING LIKE EXTREMISTS AND THE ARMEDFORCES ARE SHOWING SIGNS OF CONCERN OVER THE POSSIBILITY THAT ELECTIONS MIGHT SO STRENGTHEN THE CHRISTIAN DEMOCRATS (PDC) AS TO LESSEN THE ARMY'S TRADITIONALLY DOMINANT INSTITUTIONAL ROLE. EARLY VISTS TO WASHINGTON BY PRESIDENT DUARTE AND DEFENSE MINISTER CARCIA ARE RECOMMENDED. END SUMMARY.

3. AFTER ALMOST FOUR WEEKS HERE, DESPITE THE FACT THAT I KNOW HOW LITTLE I REALLY KNOW, IT IS PROBABLY TIME TO GIVE YOU A PERSONAL ASSESSMENT OF THE SITUATION. IN SHORT, IT IS BAD. WHILE I TALK TO THE PRESS ABOUT FAVORABLE TRENDS, AND THERE ARE SOME, THERE ARE ALSO SERIOUSLY ADVERSE TRENDS.

4. THE WART "STALEMATE" SUMS UP CONVENTIONAL WISDOM ON THIS SUBJECT, AND IT IS TRUE THAT AN EARLY MILITARY SOLUTION IS NOT TO BE HAD BY EITHER SIDE. YET MY SENSE OF IT IS THAT MATTERS MAY BE GOING AGAINST THE ARMY. THIS IS A CLOSE CALL, DISAGREED WITHIN THE COUNTRY TEAM. THE EVIDENCE IS NOT YET CONVINCING EITHER WAY AND A STRONG ADVOCATE'S CASE CAN BE MADE THAT THE ARMY WILL WEAR DOWN THE INSURGENTS BUT HERE ARE SOME

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CONSIDERATIONS: A COMPARISON OF DEFENSE ATTACHE OVERLAY MAPS OF THE SITUATION NOW AND SEVEN MONTHS AGO SHOWS GUERRILLA CONCENTRATIONS IN ESSENTIALLY THE SAME AREAS, WITH TWO SIGNIFICANT DIFFERENCES, SOME EASING OFF IN SAN SALVADOR ITSELF, BUT A MAJOR BUILDUP IN THE LOWER LEMPA RIVER, WHICH IN NOVEMBER APPEARED TO BE CLEAN. IN MORAZAN, CHALATENANGO, GUAZAPA AND SAN VICENTE, MAJOR (BY LOCAL STANDARDS) OPERATIONS HAVE ACHIEVED TEMPORARY SUCCESSES, BUT IN MORAZAN AND CHALATENANGO THE SITUATION IS WORSE TODAY THAN EVER. THE SAN VICENTE OPERATION ENCOUNTERED FIERCE RESISTENCE, FELL FAR BEHIND SCHEDULE, AND PHASES 2 AND 3 ARE BEING DILUTED BECAUSE TROOPS ARE NEEDED ELSEWHERE. CHICHONTEPEC VOLCANO WAS CLEARED, AND SUBSTANTIAL CASUALTIES INFLICTED, BUT THAT HAS HAPPENED BEFORE ONLY FOR THE GUERRILLAS TO RETURN IN STRENGTH. EVERYONE AGREES THAT GUERRILLA FORCES ARE MUCH BETTER ARMED NOW THAN BEFORE THE SO-CALLED FINAL OFFENSIVE; WHAT IS NOT AGREED IS WHETHER THEY CAN MAINTAIN THEIR AMMUNITION RESERVES AT HIGH LEVELS. THE HIGH COMMAND MAKES NO BONES OF THE FACT THAT THEIR FORCES ARE STRETCHED THIN AND THAT THEY HAVE INADEQUATE MOBILITY. THUS OPERATIONS ARE UNDERTAKEN WITH TOO FEW RESOURCES TO PREVENT ESCAPE OF GUERRILLA GROUPS AND NOT COMPLETED AS PLANNED BECAUSE OF PRESSURE ELSEWHERE, AS AT ACATAO OR SUCHITOTO. AND THE ARMY IS TAKING CASUALTIES TOO, ON AVERAGE OVER 250 KILLED AND WOUNDED IN EACH OF THE LAST TWO MONTHS, WHICH ON AN ANNUAL RATE IS 14 PERCENT OF TOTAL ARMED FORCES AND ABOUT TWENTY-FIVE PERCENT OF THE ARMY. NEW SOLDIERS ARE READILY AVAILABLE, AS PRESUMABLY ARE NEW GUERRILLEROS, BUT WHERE I THINK THE GUERRILLAS MAY HAVE A LONG-RUN ADVANTAGE IS IN LEADERS, I.E., IN OFFICERS. THEY ARE NOT TRADITION BOUND IN CHOOSING LEADERS, CAN AND DO TRAIN THEM ABROAD, AND HAVE A LARGER POOL OF DEDICATED GUERRILLEROS TO DRAW ON. THE OFFICER SITUATION IS A MAJOR CONSTRAINT ON ARMY EFFECTIVENESS. SO FAR THE ANSWER HAS BEEN ACCELERATED GRADUATION OF CADETS FROM THE MILITARY SCHOOL AND ENROLLMENT OF LARGER CLASSES TO PROVIDE MORE GRADUATES IN THE FUTURE. SHORTLY THE NATIONAL GUARD, THE TREASURY POLICE AND THE NATIONAL POLICE WILL BEGIN COMMISSIONING SENIOR NON-COMs, GOOD FROM ONE STANDPOINT AS IT SHOULD FREE REGULAR ARMY OFFICERS FOR FIELD DUTY BUT MOST DISTURBING IN ANOTHER SINCE THESE FELLOWS HAVE A REPUTATION FOR BRUTALITY. INDEED, A CONTINUING SERIOUS PROBLEM HERE--DESPITE SOME RECENT PROGRESS--IS OFFICIALLY TOLERATED, IF NOT SPONSORED

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RIGHTIST TERRORISM AND VIOLENCE. OTHER MEASURES WILL BECOME NECESSARY IF THE FORCES ARE TO EXPAND. THE HIGH COMMAND IS TALKING ABOUT VARIOUS POSSIBILITIES, BUT HESITANTLY AGAINST A PROFESSIONAL CONCERN THAT THEY NOT DILUTE THE INSTITUTION OF THE OFFICER CORPS AND ITS IN-BRED TRADITIONS. FINALLY, THERE IS THE CRITICAL QUESTION OF WILL TO WIN. I HAVE NO DOUBT BUT THAT THE GUERRILLAS HAVE PROBLEMS, SERIOUS PROBLEMS; NOR ANY DOUBT BUT THAT COL. GARCIA AND COMPANY ARE DETERMINED; BUT WE HAVE REPORTS OF JUNIOR OFFICER DISSATISFACTION. MOPE SERIOUS, SINCE MY IMPRESSION OF COL. GUTIERREZ IS THAT HE IS A THOUGHTFUL MAN, WAS HIS OFFHAND ACKNOWLEDGEMENT TO GENERAL SUMNER AND MYSELF, THAT THE ARMY HAS MORALE PROBLEMS AND IS SUFFERING FROM "CANSANCIO," I.E. THEY ARE TIRED. WELL THEY MIGHT BE. THIS IS A SMALL BUT DEADLY WAR FOR BOTH SIDES.

5. WHAT IS TO BE DONE? SINCE THE ABOVE ASSESSMENT IS HIGHLY SUBJECTIVE, PERHAPS EVEN WRONG--AND SINCE IN ANY CASE THE ARMY IS NOT ABOUT TO COLLAPSE--WE COULD GO ON MORE OR LESS AS NOW CONTEMPLATED IN OUR PLANNING STUDIES WITH MINOR ADJUSTMENTS WHEN CLEARLY SOMETHING DIFFERENT IS NEEDED OR WE COULD CONSIDER SERIOUSLY STARTING NOW THE ELABORATION OF A STRATEGY OPTIMALLY DESIGNED TO WIN AND CERTAINLY DESIGNED TO REDUCE THE RISKS OF LOSING. THE POLICY CHOICE IS BETWEEN PROCEEDING SLOWLY OVER SOME THREE YEARS WITHIN THE RESOURCE CONSTRAINTS WE FOLLOWED IN PREPARING THE ANNULA INTEGRATED ASSESSMENT OF SECURITY ASSISTANCE FOR EL SALVADOR (REF A) WHICH STRUCK ME AS PRETTY MUCH OF A STANDARD BUREAUCRATIC EXERCISE, OR RE-EXAMING FIRST PREMISES AND PERHAPS DECIDING TO GIVE MORE SUPPORT SOONER TO THE HIGH COMMAND'S EVOLVING FORCE EXPANSION PLAN, AND TO DO THIS WITHIN THE CONTEXT OF AN OPERATIONAL PLAN OR STRATEGY, WHICH AS FAR AS I CAN SEE IS AT PRESENT SIMPLY LACKING.

6. IN EITHER CASE, IT IS IMPERATIVE TO DO MORE TO CHOK OFF THE FLOW FROM OUTSIDE OF ARMS, MUNITIONS, AND MEN TO THE GUERRILLAS. SOME BETTER MEANS TO DEAL WITH AIR INFILTRATION IS NEEDED; STARTING WITH BETTER INTELLIGENCE AS TO WHERE HELICOPTERS AND LIGHT AIRCRAFT ARE COMING FROM AND GOING ON TO MEASURES TO INTERRUPT THESE OPERATIONS, WHICH MIGHT INCLUDE SABOTAGE MISSIONS INTO NICARAGUA. ADDITIONALLY, WE SHOULD WORK ON BOTH THE SALVADORANS AND THE HONDURANS TO ESTABLISH A JOINT INTELLIGENCE-OPERATIONS STAFF INTENDED INITIALLY TO

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REDUCE OR TO CLOSE ARMS INFILTRATION ACROSS HONDURAS AND
EVENTUALLY TO COORDINATE JOINT OPERATIONS ALONG THE LONG, I.E.
OVER 200 MILE, FRONTIER. SEA INFILTRATION IS PROBABLY A
LESSER PROBLEM, BET HANDLED AGAIN THROUGH BETTER INTELLI-
GENCE, BY GRADUALLY CLEARING AREAS BEHIND THE COAST AND
IMPROVING INTERNAL TRAFFIC SURVEILLANCE OPERATIONS TO SUPPLE-
MENT WHATEVER NAVAL PATROLLING EFFORT CAN BE CONSISTENTLY
MOUNTED.

7. IF THE SECOND OPTION WERE TO BE PURSUED, I WOULD SUGGEST
A SPECIAL MILITARY MISSION FOR ABOUT SIX WEEKS TO WORK WITH
GARCIA AND COMPANY TO DEVELOP A STRATEGIC APPROACH, WHICH IN
MY VIEW SHOULD BE BASICALLY TO TRY TO CLEAR THE MORE PRODUC-
TIVE PARTS OF THE COUNTRY (I HEAR CONFLICTING REPORTS ABOUT
THE DEGREE OF INSURGENT CONTROL IN PARTS OF THE COUNTRY WHERE
OUR MAPS DO NOT REFLECT INSURGENT CONCENTRATIONS--WE NEED
MORE INFORMATION ABOUT THIS), GRADUALLY PUSHING THE GUERRILLAS
BACK INTO THE MOUNTAINS OF CHALATENANGO AND MORAZAN AND TO
FLESH OUT AS A MATTER OF URGENCY THE FORCE EXPANSION PLAN, TO
COST IT, TO TAKE THE NECESSARY FINANCIAL DECISION (EL
SALVADOR'S BUDGET IS IN BAD SHAPE AND BEING REDUCED EXCEPT
FOR DEFENSE, WHERE HOWEVER TIGHT SPENDING CONTROLS ARE
APPARENTLY ENFORCED), TO IDENTIFY THE CONSTRAINTS (E.G.,
OFFICERS, NON-COM TRAINING, INSUFFICIENT MOBILITY AND FINANCING),
AND TO DECIDE HOW TO OVERCOME THEM IN THE SHORTEST POSSIBLE
TIME. FOR EXAMPLE COULD (A) THE HELICOPTER MAINTENANCE AND
PILOT CONSTRAINTS BE OVERCOME BY A PROGRAM TO TRAIN SPECIALLY
RECRUITED SALVADORAN UNIVERSITY GRADUATES OR STUDENTS AND BY
CONTRACTING NON-SALVADORANS UNTIL MORE SALVADORANS ARE TRAINED;
(B) COULD SERVICE FUNDED DIRECT GRANT OF MATERIEL FROM U.S.
FORCE STORES BE AUTHORIZED?

8. THE ECONOMY. HERE THERE IS OVERWHELMING OBJECTIVE EVIDENCE
OF CONTINUED DECLINE AND OF A FOREIGN EXCHANGE CRISIS. THE
TREND IS DEFINITELY NEGATIVE. IT CARRIES WITH IT SHORT-RUN
POLITICAL DANGERS AND THE LONG-RUN SPECTRE OF CONCORDANT
DISASTER ON THE MILITARY SIDE OF THE QUESTION. SUBJECTIVELY,
VIRTUALLY EVERYONE I HAVE TALKED TO, INCLUDING PRESIDENT
DUARTE, EACH OF THE OTHER JUNTA MEMBERS, GARCIA AND ASSORTED
OTHER MILITARY, A DOZEN OR MORE PRIVATE SECTOR PERSONALITIES,
THREE MONSIGNORS, JOURNALISTS, EVEN CULTURAL BUFFS, INSIST

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THAT THE ECONOMY NEEDS RESUSCITATION. THEY ARE NIGHT.

9. AS WE HAVE REPORTED, (REF B) ALMOST DOLLARS ONE HUNDRED MILLION IN IMPORTS OF RAW MATERIALS NEEDED TO KEEP FACTORIES GOING, OF SPARE PARTS TO KEEP THE TRANSPORTATION AND COMMUNICATIONS SYSTEMS FUNCTIONING, AND OF AGRICULTURAL INPUTS ARE CURRENTLY BACKLOGGED OR REPRESENT PAST DUE ACCOUNTS WITH SUPPLIERS BECAUSE THERE IS NO LONGER FOREIGN EXCHANGE TO PAY FOR THEM. THIS COMES AFTER A FIFTY PERCENT REDUCTION IN REAL TERMS SINCE 1978 OF IMPORTS: FACTORIES ARE CLOSING, URBAN UNEMPLOYMENT IS GROWING, COMMON CRIME IS INCREASING, AND THE GARBAGE IS PILING UP IN SAN SALVADOR BECAUSE THE FLEET OF GARBAGE TRUCKS IS RUN DOWN. THE RECENT FALL IN PRICES FOR SALVADOR'S COFFEE FROM DOLLARS 1.28 PER QUINTAL (XPOT) IN FEBRUARY TO DOLLARS 1.11 A QUINTAL TODAY REPRESENTS ON AN ANNUALIZED BASIS, A LOSS OF DOLLARS 38 MILLION IN FOREIGN EXCHANGE, I.E. ALMOST 60 PERCENT OF THE ADDITIONAL U.S. AID PACKAGE OF DOLLARS 63.5 MILLION ANNOUNCED IN MARCH.

9. BUT I DO NOT SUBSCRIBE TO THE THEORY THAT DISCONTENT AMONG THE PEOPLE WILL SOON REACH SUCH A LEVEL THAT THERE WILL BE A GENERAL ECONOMIC COLLAPSE AND THAT MASSIVE DEMONSTRATIONS WILL LEAD TO OVERTHROW OF THE JUNTA AND TO LEFTIST TAKEOVER. IT IS POSSIBLE, I SUPPOSE, BUT I SEE A MUCH CLEARER AND MORE IMMINENT DANGER. THE PRIVATE SECTOR IS ALL OUT TELLING THE ARMY THAT THE ECONOMY IS IN THE MESS ITS IN BECAUSE OF CHRISTIAN DEMOCRAT MISMANAGEMENT AND REFORM POLICIES (SOME TRUTH TO THI) AND THAT "COMMUNITARIANISM" AS ESPOUSED IN DUARTE'S BOOK, WRITTEN IN HIS EXILE YEARS, IS EQUIVALENT TO COMMUNISM. LATE LAST WEEK THE PREVIOUSLY MODERATE MANUEL ENRIQUE HINDS, THE WASHINGTON REPRESENTATIVE OF THE PRODUCTIVE ALLIANCE, SPOKE IN THESE TERMS TO OVER 600 BUSINESSMEN, AND THE LOCAL PRESS COVERED HIS REMARKS EXTENSIVELY, INCLUDING HIS REPEATED WARNING THAT DUARTE AND THE PDC ARE OUT TO ESTABLISH A WORSE DICTATORSHIP THAN CASTRO'S. MAYBE THERE IS SUBSTANCE TO THE REPORT THAT HINDS IS NOW WORKING WITH THE MIAMI EXILES, I.E. WITH REMNANTS OF THE OLD "OLIGARCHY."

10. THE IMMINENT DANGER IS THAT THE ARMY WILL BE PERSUADED BY THIS GROSSLY OVER-SIMPLIFIED EXPOSITION OF THE ECONOMIC PROBLEM AND BY CERTAIN OTHER CONSIDERATIONS (SEE POLITICAL BELOW) TO THROW OUT THE CHRISTIAN DEMOCRATS AND FORM A NEW ALLIANCE

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WITH BUSINESS TYPES. BUSINESS LEADERS HAVE CORRECTLY ESPOUSED FREE MARKET DOCTRINE BUT HAVE NO PROGRAM FOR MANAGING A WAR ECONOMY, EXCEPT TO REVERSE THE JUNTA'S REVOLUTIONARY REFORMS. IT WOULD HELP IF THEY WERE IN THE GOVERNMENT (LESS LIKELY AFTER HINDS' BLAST) OR AT LEAST SUPPORTING ELECTIONS AND THE WAR EFFORT, BUT FOR THEM TO REPLACE THE PDC WOULD NOT IMPROVE THINGS IN THE SHORT RUN AND WOULD BE DISASTROUS WERE PDC REMNANTS AND SUPPORTERS TO GO OVER TO THE INSURGENTS. MOREOVER, FORCEFUL DEPOSITION OF THE PDC WOULD ENORMOUSLY COMPLICATE OUR PROBLEM OF DEFENDING IN THE GOES BEFORE CONGRESS AND WORLD OPINION.

11. THE ECONOMIC MESS HERE IS ATTRIBUTABLE IN PART TO AGRARIAN, BANKING AND MARKETING REFORMS AND TO UNCERTAINTIES STILL PERSISTING ABOUT FUTURE REFORMS (E.G. AGRARIAN REFORM PHASE 2 BUT ALSO PHASE 3 IMPLEMENTATION AND LABOR LAW REFORMS) BUT IN GREATER MEASURE IT IS ATTRIBUTABLE TO THE CIVIL WAR, TO TERRORISM, TO THE SHRINKING OF SALES IN THE CENTRAL AMERICAN COMMON MARKET, TO WORLD ECONOMIC CONDITIONS, E.G. MASSIVE OIL PETROLEUM PRICE HIKES AND THE CURRENT COFFEE PRICE COLLAPSE, AND TO THE LACK OF PUBLIC AND PRIVATE SECTOR COOPERATION IN ELABORATING AND CARRYING OUT ECONOMIC POLICY. AS I SEE IT, THERE WILL BE NO CHANCE FOR RENEWED SUSTAINED GROWTH UNTIL THE SECURITY SITUATION IMPROVES TO THE POINT THAT EL SALVADOR IS PERCEIVED ONCE AGAIN AS A GOOD PLACE TO INVEST. THUS MUCH OF THE BROUHAHA FROM THE PRIVATE SECTOR IS LARGELY BESIDE THE POINT. THE POINT IS TO KEEP THE SHIP AFLOAT ECONOMICALLY AND STEERABLE POLITICALLY UNTIL RELATIVE STABILITY CAN BE RESTORED. FOR THIS BOTH THE PUBLIC AND THE PRIVATE SECTOR MUST COMPROMISE.

12. WHAT IS TO BE DONE? AS I SEE IT, WE HAVE TO DO MORE, PERHAPS MUCH MORE, BUT IN THE RIGHT CONTEXT AND AFTER CONSIDERATION OF WHAT POLICY CHANGES WE WANT. THE RIGHT CONTEXT IS IN STEP WITH THE IMF, ALTHOUGH WE MAY WANT TO ANNOUNCE SOME ADDITIONAL ASSISTANCE DURING DUARTE'S WASHINGTON VISIT. IT IS, THEREFORE, IMPERATIVE THAT THE IMF MISSION ARRIVE ASAP. STATE AND TREASURY SHOULD PUSH HARD TO GET THAT MISSION HERE THIS MONTH AS PROMISED BY WALTER ROBICHEK TO ME AND TO ATILIO VIEYTES. WE NEED AN INDEPENDENT ANALYSIS OF THEIR UNDERSTANDING OF THESE PROBLEMS AS WELL AS OF POSSIBLE POLICY CHANGES. MOST OF ALL IMF RESOURCES ARE NEEDED.

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13. SINCE I THINK THAT IN THE MEDIUM TERM EL SALVADOR CAN AGAIN BECOME AN ATTRACTIVE PLACE FOR INVESTMENT, ESPECIALLY IF THE GESTATING CARRIBEAN BASIN PLAN WERE TO PROVIDE REAL TRADE OPPORTUNITIES IN OUR MARKET, THERE IS A POWERFUL CASE FOR INVOLVING PRIVATE AMERICAN BANKS TO SUPPLEMENT OUR GRANT AND COMMERCIAL AID PROGRAMS. THEY WON'T COMMIT, HOWEVER, WITHOUT USG GUARANTEES. THUS I URGE THAT STAFF STUDIES BE UNDERTAKEN BY TREASURY AND STATE AIMED TO PRODUCE DRAFT LEGISLATION FOR A SUBSTANTIAL, PERHAPS DOLLARS ONE BILLION MULTIYEAR FUND TO GUARANTEE MEDIUM TERM BANK LOANS, COMPLETE WITH CONDITIONS FOR REGULAR REVIEWS PRIOR TO TRANCH DRAWDOWNS THAT WILL GIVE US LEVERAGE OVER THE GOES AND OVER VESTED INTERESTS HERE. WE MAY BE ABLE TO SCRAPE BY FOR A BIT LONGER WITH OUR NORMAL PROGRAMS, ESF, PL-480, DEVELOPMENT ASSISTANCE, ETC., AND BY ROBBING OTHER COUNTRY PROGRAMS FOR EL SALVADOR, BUT - UNLESS I'M VERY MISTAKEN OUR REAL CHOICE, AFTER A CLOSE IMF LOOK, WILL PROVE TO BE BETWEEN A STRAIGHT SUPPLEMENTAL APPROPRIATION OR A LARGE GUARANTEE. THE LATTER MIGHT END UP AS EQUIVALENT TO THE FORMER, BUT IF WE HOLD SUCCESSFULLY IN EL SALVADOR, GUARANTEED BANK LOANS IN THE END SHOULD COST THE TREASURY LITTLE OR NOTHING. PRESIDENT DUARTE HAS TOLD ME HE IS READY TO BORROW ON HARD COMMERCIAL TERMS FROM ARABS-- WHO DON'T SEEM INTERESTED IN LENDING EVEN WITH A GOES GUARANTEE, WHICH WE COULD HAVE ALSO--SO I THINK HE WOULD THROW HIS SUPPORT BEHIND SUCH AN OPERATION.

14. POLITICS. CUP PLOTTING IS ENDEMIC IN SUCH COUNTRIES AS EL SALVADOR AND AS OF NOW I HAVE LESS CONFIDENCE IN MY POLITICAL JUDGEMENTS THAN IN OTHER AREAS, BUT I'M WORRIED. IT NOT JUST THE PRIVATE SECTOR FUN AND GAMES CITED ABOVE, IT IS FUNDAMENTALLY THE UNIMAGINABLE, UNTIL EXPERIENCED, DISTRUST BETWEEN AND WITHIN ALL PARTS OF THIS SOCIETY. THERE ARE FACTIONS WITHIN THE ARMY, ALTHOUGH IT IS BY FAR THE MOST UNIFIED AND UNIFYING FORCE HERE, WITHIN THE PDC, WITHIN THE CHURCH, WITHIN THE PRIVATE SECTOR, (AND FORTUNATELY WITHIN THE GUERRILLAS) BUT ABOVE ALL THERE IS VIRTUALLY NO CONFIDENCE ANYWHERE THAT ANY OTHER GROUP WILL ACT OTHER THAN SELFISHLY. THERE IS NO CONSENSUS UNIFYING THIS SOCIETY REGARDING EITHER GOALS OR MEANS. IN SOME WAYS, IT IS AMAZING THAT THE PDC- ARMY ALLIANCE HAS HELD TOGETHER SO LONG, ALTHOUGH LIKE MANY MARRIAGES OF CONVENIENCE IT IS ROOTED IN REAL INTERESTS. THE PDC WITHOUT THE ARMY WOULD BE NOTHING; THE ARMY WITHOUT THE

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PDC WOULD BE IN TROUBLE SOONER OR LATER, AND HAS SO FAR RECOGNIZED THAT FACT AND ACTED UPON IT, BUT INCREASINGLY IS QUESTIONING THE PREMISE. THERE IS NOW CIRCULATING AMONG OFFICERS A DOCUMENT EXPLAINING THAT A CONSTITUENT ASSEMBLY WHICH RESULTED FROM ELECTIONS WOULD PERPETUATE THE HATED PDC IN POWER, AND WORSE, GIVE CIVILIANS AUTHORITY TO UNDERMINE THE "MILITARY INSTITUTION." COL. GUTIERREZ AND VIDES CASANOVA, AMONG OTHERS, HAVE TOLD THE DCM AND MYSLEF OF THEIR CONCERNS THAT ELECTIONS WILL RESULT IN A ONE-PARTY STATE, THE RETENTION OF DUARTE, AND THE STRENGTHENING OF THE POSITION OF THEIR BETE NOIRE, JOSE ANTONIO MORALES ENRICH. COL.

GARCIA, IN A LONG AND PASSIONATE POLITICAL SPEECH AT FOREIGN MINISTRY CEREMONY HONORING DEPARTING DEFENSE ATTACHE BOSCH AND LT. COL. RODRIGUEZ, DENOUNCED THOSE SEEKING TO MEDIATE, NEGOTIATE, OR DIALOGUE, ENDORSED A POLITICAL SOLUTION, BUT DID NOT MENTION ELECTIONS. HE SPOKE EXTEMPORANEOUSLY AND THE OMISSION MAY HAVE BEEN INADVERTENT, BUT THEN AGAIN IT MAY NOT HAVE BEEN. GARCIA DID READILY AGREE WITH ME WHEN IMMEDIATELY THEREAFTER IN A PRIVATE TALK I ALLUDED TO THE IMPORTANCE OF ELECTIONS. MOREOVER, WHILE I DON'T PRETEND TO UNDERSTAND THE SERIES OF EVENTS SURROUNDING COL. GUTIERREZ' "DEAUTHORIZING," I.E. REPUDIATING THE MINISTER OF ECONOMY'S REMARKS ABOUT PRICE AND WAGE POLICIES AND THE SUBSEQUENT FLIGHT OF DIAZ SALAZAR FROM THE COUNTRY, I REMEMBER BEING TOLD, PERHAPS INCORRECTLY, THAT DIAZ WAS DUARTE'S MAN AND I WONDER WHAT SIGNIFICANCE, IF ANY, IS TO BE ATTACHED TO THE DEVELOPMENTS. FINALLY, I HAVE HEARD NOW THROUGH VARIOUS INDIRECT CHANNELS, THAT KEY COLONELS WANT A PRIVATE TALK WITH ME ABOUT THE FUTURE. INITIALLY I IGNORED SUCH PROBES EXCEPT SEPARATELY TO TELL COL. GUTIERREZ--ALLEGEDLY ONE OF THE INSTIGATORS--THAT I WAS ALWAYS AT HIS DISPOSITION TO TALK EITHER OFFICIALLY OR AS FRIENDS INFORMALLY. YESTERDAY, HOWEVER, I TOLD A LATIN AMERICAN AMBASSADOR WHO DELIVERED A SIMILAR MESSAGE, ALLEGEDLY FROM KEY COLONELS, THAT I WOULD BE GRATEFUL IF HE WOULD TELL ANYONE INTERESTED THAT I WOULD, OF COURSE, LISTEN TO WHAT ANYONE HAD ON THEIR MINDS. THEY HAVE ONLY TO CONTACT ME DIRECTLY.

15. ELECTIONS POSE MANY PROBLEMS, SOME OF WHICH ARE UNDER ACTIVE DISCUSSION IN OTHER CABLE EXCHANGES, SO I'LL NOT GO

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INTO IT WERE EXCEPT TO SAY, (A) THAT THEY REMAIN THE LEAST BAD POLITICAL OPTION AVAILABLE, AND (B) THAT IF THE ARMY DECIDES THE RESULT WOULD BE A THREAT TO ITS INSTITUTIONAL STATUS, WE WON'T HAVE TIME TO SOLVE THE OTHER TROUBLESOME QUESTIONS.

16. WHAT IS TO BE DONE? FOR BETTER OR WORSE, I HAVE TO TRY TO MANAGE HERE THE DAILY ALARMS AND EXCURSIONS SURROUNDING THESE POLITICAL PROBLEMS. I HASTEN TO ADD THAT TOM ENDER'S REITERATED OPPOSITION IN CARACAS TO A RIGHTIST COUP HELPS. // WHAT WE NEED, HOWEVER, AND SOON, IS A VISIT TO WASHINGTON OF PRESIDENT DUARTE AND FOREIGN MINISTER CHAVEZ MENA, WITH PUBLICATION OF APPROPRIATE JOINT POLICY CONCLUSIONS TO BE FOLLOWED SHORTLY THEREAFTER BY A WELL-PUBLICIZED, ADROITLY HANDLED VISIT BY MINISTER OF DEFENSE COLONEL GARCIA. THAT GROUNDWORK LAID, IF THE KEY PARTNERS IN THE UNCOMFORTABLE PDC-ARMY ALLIANCE BOTH LEAVE WASHINGTON IN AS REASONABLE FRAME OF MIND, WITH THEIR EGOS WELL MASSAGED, AND UNDERSTANDING OF THE IMPORTANCE WE ATTACH TO THEIR WORKING TOGETHER TO WIN THE WAR, AVERT ECONOMIC COLLAPSE, AND CARRY OUT DEMOCRATIC ELECTIONS, WE'LL HAVE AT LEAST SOME BREATHING SPACE TO ADDRESS OURSELVES TO THE NUTS AND BOLTS OF ACHIEVING THOSE GOALS.
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END OF MESSAGE

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